

COMMISSIONER'S DIRECTIVE #20

AUGUST 2003

DISCLAIMER: Commissioner's Directives are intended to provide nontechnical assistance to the general public. Every attempt is made to provide information that is consistent with the appropriate statutes, rules and court decisions. Any information that is not consistent with the law, regulations or court decisions is not binding on either the Department or the taxpayer. Therefore the information provided herein should serve only as a foundation for further investigation and study of the current law and procedures related to the subject matter covered herein.

SUBJECT: COMPLIMENTARY ROOMS AND LODGINGS PROVIDED BY INNKEEPERS

INTRODUCTION

Effective July 1, 2003, House Enrolled Act 1001 (2003) SECTION 49 added IC 6-2.5-4-4.5 and SECTION 50 added IC 6-2.5-6-15 to provide that complimentary rooms and lodgings furnished by an innkeeper are subject to the sales tax. The amendment included mandatory reporting by the innkeeper at the same time that the innkeeper files a sales tax return.

The purpose of this directive is to outline the procedures to be followed in calculating the gross retail income that is attributed to providing complimentary rooms or lodgings by an innkeeper.

I. REPORTING REQUIREMENTS

A retail merchant that provides complimentary rooms or lodgings as part of doing business as an innkeeper shall report to the Department on a separate report the amount of complimentary lodgings provided by the innkeeper during the reporting period. The reporting period will coincide with the sales and use tax reporting time frame. If the taxpayer reports on a monthly basis, the report is due at the same time that the monthly

report is due. If the taxpayer remits their sales tax via electronic funds transfer, the report is due at the same time that the quarterly recap is due.

II. CALCULATION OF SALES TAX DUE FOR COMPLIMENTARY ROOMS

IC 6-2.5-4-4.5 states that the gross retail income attributed to providing of a complimentary room will be the amount of gross retail income received by the retail merchant from renting a comparable room or lodging on the date the complimentary room is provided.

The Department will allow the following calculation to be made monthly on a facility wide basis. The retail merchant will determine the gross retail income from the rental of rooms or lodgings during the month. This amount will be divided by the total room rentals during the month.

EXAMPLE: During June, a hotel that has 100 rooms and an 85% paid occupancy rate will have 2,550 room rental days ($100 \times 30 \times .85 = 2,550$). If the gross retail income was \$247,350, and there were 2,550 room rental days, the average daily room rental rate in June was \$97.00. The \$97.00 will be multiplied by the number of *complimentary rooms* provided to arrive at the gross retail income from complimentary rooms.

The above calculation can also be done on a daily basis.

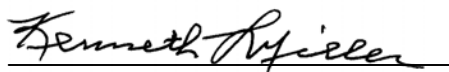
The method used in calculating the sales tax that is due from the complimentary rooms must be used during the entire reporting period.

III. MISCELLANEOUS

For those innkeepers who intend to collect the tax from their customers, they may collect based on the previous month's average rate; however, they must remit the tax due based on the present rate, regardless of the method of calculation.

A room rented for a nominal amount will be considered to be complimentary.

The provisions contained in IC 6-2.5-4-4.5 do not apply to the innkeeper's taxes under IC 6-9.



Kenneth L. Miller
Commissioner